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The Wheat Situation¹

* * * Circumstances have forced the Government in recent months to take a number of steps, some of them quite drastic, which have affected the milling industry directly or indirectly. You naturally want to know why, and you also want to know how long these orders and controls can be expected to continue. I shall outline the highlights of the world wheat situation, and the resulting emergency demand for United States wheat and flour which have made control action necessary. Reviewing these facts rather fully will give us the background against which we must appraise our present situation. And then I want to discuss the main features of the wheat program which the Department of Agriculture now feels will probably be needed for the year ahead--in the light of what we know at this time about the domestic and world situations.

World Wheat Situation

As you know the 1945 world wheat crop, including that of Soviet Russia and China, was about 8 percent below the production in 1944 and about 7 percent below the 1935-39 prewar average. Decreases in Canada, Europe, and North Africa more than offset increases in the United States. Furthermore, the 1944 drought in the Southern Hemisphere, particularly Australia and the Argentine, resulted in sharp reductions in carry-over stocks in those countries--for Australia they were virtually eliminated. The demand for wheat was increased greatly by the world shortage of other foods, including the vegetable and animal fats and oils, meats, sugar, and rice.

Immediately after the shooting war stopped last summer, it was obvious that demands would be made upon the United States to help feed a famished postwar world. Just how heavy these demands would be, however, was not immediately apparent. In the case of wheat, for instance, preliminary claims against United States supplies early last summer indicated a probable need to export about 225 million bushels during the 1945-46 marketing year. By late summer, these estimates were revised upward to 250 million bushels, as increased requirements were spelled out abroad. UNRRA, France, and a number of other war-ravaged countries raised their estimates of minimum needs several times during the fall and winter. Finally in December we decided to shoot for total exports of around 400 million bushels during the year, as the result of requests then being made and the outlook for supplies from other sources. We knew this was a high goal, a difficult target, but the needs in famine countries were so obviously urgent that it did not seem right to try for less.

Fortunately, the supply of wheat in the United States at the beginning of the marketing year was one of the largest on record, and considerably in excess of our estimated domestic requirements for food and feed.

¹/ From a talk by Robert H. Shields, PMA Administrator, at the annual convention of the Millers' National Federation, Chicago, May 14, 1946.

During the period July through December 1945 our exports of wheat and flour equivalent totaled just under 200 million bushels, and it was obvious that we would need to export something more than 200 million bushels in the first 6 months of 1946 if we were to reach our 400 million goal for the full year. That's where the figure of 225 million bushels came from--the figure which has been generally accepted as the goal for the first half of this calendar year.

Right here I should like to set the record straight on one point. There has been some talk about American farmers and industry hoarding wheat and flour, and not making it available for export. It's true that there is a tough job still to be done in the days just ahead, that farmers must turn loose every single bushel they can possibly spare from their dwindling stocks and that industry must accept the necessary sacrifices in helping us up the last steep grade of the emergency pull. But I think that we should not overlook the fact that a lot of wheat and flour has already been sent across the seas to help fight famine. Our achievements to date in exporting more than 317,000,000 bushels of wheat and flour equivalent in a 10-month period are an outstanding example of what it is possible to do through the cooperative efforts of our farmers, the milling and baking industry, the commercial agencies dealing with the transportation and distribution of wheat and flour, and the whole American people in their efforts to conserve food at home for the benefit of other peoples in the world. We have fallen behind the monthly goals during the last 3 months, and there is a lot of ground to be made up during coming weeks, but this should not blind us or our friends overseas to the fact that already we have sent more wheat out of the country this year than many thought last summer was possible.

Must Face Facts

We must face the fact frankly, however, that we will have to move a very heavy volume of wheat in the May-June period to approximate the 6-month goal of 225 million. If we do come close to this goal, we will have had a total export movement for the full year around the 400 million mark--far in excess of any 12 months period in the history of the country. The previous peak of exports for a single year was 335 million bushels in 1914. During the 5 prewar years 1935-39, the annual average of exports was only 62 million bushels.

The United States began the 1945-46 season with a near-record supply of more than 1,400,000,000 bushels of wheat. We estimate that by June 30 this stock will have been reduced to below 100,000,000 bushels. This means a disappearance of more than 1,300,000,000 bushels in a 12-month period--the greatest disappearance we have ever had. Where has that big volume gone? Assuming that the exports will total around 400,000,000 bushels, approximately 900,000,000 will have been used in the United States for food, feed, seed, and various industrial uses.

We have known for several months that too large a quantity of wheat was being fed to livestock. As early as last fall the Department

of Agriculture set up goals calling for a reduction in livestock numbers, primarily in an effort to effectuate a better balance with the available supply of feed. Several months before--in early summer of 1945--the Department's feed-wheat program had been terminated. In the autumn of 1945 we urged farmers to increase the marketings of beef cattle and to reduce the numbers of poultry. We suggested a 1946 spring pig crop of about the same size as in 1945. It is true that some encouragement was given the feedlot feeding of cattle and sheep, but the over-all objective was one of reducing the demand for livestock feed to within the limits of available supplies. Meanwhile, there had also been some reduction in the number of dairy cows.

As winter got under way and after the turn of the new year it became apparent that more feed instead of less feed was being consumed by livestock. Hogs were being fattened to unusually heavy weights, cattle were being fed out to Double A grade, poultry flocks were not being reduced, and, although the number of dairy cows had been reduced about 2 to 3 percent, the remaining cows were being heavily fed. New high records were being made in the production of eggs per hen and the production of milk per cow. We needed the milk but we didn't need quite so many eggs. The heavy feeding of hogs was not resulting in a proportionate increase in the proportion of lard, because some of the extra fat was being sold for the price of meat and much of it was ultimately lost.

Wheat Fed Too

Because there were not enough feed grains to meet this enormous feeding demand, a good deal of wheat was being fed too. This was reflected in the Department's reports of wheat stocks as of January 1, which showed that more than half the total supply of 1,400,000,000 bushels had disappeared from July through December 1945. Of course, a big part of this heavy disappearance was on account of the export volume of nearly 200,000,000 bushels of wheat and flour equivalent during that 6-month period. As of January 1 only 689,000,000 bushels of wheat remained in the United States out of the total supply of 1,400,000,000 at the beginning of the season.

It could be seen then that if the disappearance in the January-June period was at the same rate as during the preceding 6 months, there would hardly be any carry-over at all into the new crop year beginning next July 1. Meanwhile, the hunger situation in Europe and Asia was becoming worse to the point of threatened mass starvation, and the export goal of 225,000,000 bushels of wheat and flour equivalent was set up for the January-June period. The food-short countries needed more than this quantity, but the 225,000,000 bushels was considered to be the maximum the United States would possibly be able to export from its own diminished supply.

During the winter, reports showed a condition abroad of increasing severity. The situation became so bad in the hunger countries that in February President Truman announced a nine-point program for the conservation of wheat in the United States. You are all familiar with this program. Among other things it directed discontinuance of the use of

wheat in the production of alcohol and beer, it increased the wheat flour extraction rate from 72 percent to 80 percent for the duration of the emergency, it directed the Department of Agriculture to control millers' inventories of wheat, and bakers' and distributors' inventories of flour, and directed the Department to develop additional ways in which grain that was being used in the feeding of livestock and poultry could be conserved for use as human food.

You are familiar also with the action that was subsequently taken by the Department under these presidential directives to meet the emergency: The limits that were put on the use of wheat by mixed feed manufacturers, the reductions that were ordered on the use of grains by beverage distillers and brewers, and the announcement that the cattle feeders subsidy of 50 cents per hundred pounds would be terminated on June 30. Limits were put on the receipts of wheat mill feeds by any individual during April, May, and June; the purchase of grain or grain products to feed hogs to heavy weights or cattle to highest grades or poultry beyond 80 percent of last year's production was prohibited.

Emergency Wheat Purchase Program

Then in early April the Department announced its emergency wheat purchase program, offering to buy wheat from farmers for immediate delivery to the Commodity Credit Corporation at the market price on any date the seller might elect on or before March 31, 1947. This is the so-called certificate plan. It was followed on April 19 by a six-point program announced by Secretary of Agriculture Clinton P. Anderson, designed to speed up and increase shipments of food grains urgently needed to avert famine abroad.

Under this program millers were required to reduce their production of flour for domestic consumption to 75 percent of the quantity distributed domestically in the corresponding months of 1945. Food manufacturers were required to limit the use of wheat in the manufacture of products for domestic human consumption to 75 percent of the quantity used in the corresponding months of 1945. Effective May 1 both millers and food manufacturers were limited to a 21 days' inventory of wheat. The Department also announced that a bonus of 30 cents a bushel would be paid on wheat delivered under the certificate plan by May 25. A bonus of 30 cents a bushel was also offered to producers under a special Government corn purchase plan.

The basic reason for this additional action was the increasing difficulty in obtaining wheat and flour for export--shipments were far below the goal levels. Whereas the January 1 stocks of wheat in all positions had been 689,000,000 bushels, the April 1 stocks were only 339,000,000 bushels. More than half the January 1 supply had disappeared in the first quarter of this year, and the remainder was not sufficient to meet all the requirements here and abroad until the new 1946 crop comes to harvest. Drastic action was demanded and, reluctantly, we took this action to meet what had become a major crisis of our times.

Then on May 8, the Office of Economic Stabilization, the Department of Agriculture, and the Office of Price Administration jointly announced a new schedule of higher ceiling prices for wheat and other grains--on wheat, an increase of 15 cents a bushel, effective May 13, 1946. The purpose of the announcement, affecting the marketing of grain now in the hands of producers and the grain to be harvested in 1946, was (1) to remove uncertainty concerning grain price ceilings between now and June 30, 1947; (2) to encourage movement of grain for shipment abroad, for human consumption in this country, and for essential livestock feeding purposes in deficit grain-producing areas; and (3) to bring about the proper balance between livestock numbers and grain supplies available for feed. A basic result of this price action should be to make a larger part of our total wheat supply available for human food use. In line with this policy of cutting down on livestock feeding, Secretary Anderson last week announced a 10-percent cut in the fall pig goal--the hogs that will come to market next spring. The new grain ceiling price schedule provides ample allowance to reflect increases in parity for the year ahead, and so the announced price schedule can be expected to continue without change at least through June 30, 1947.

That is the general summary of developments up to the present, including quite a list of orders and regulations which have affected the milling industry directly or indirectly. None of us in the Department of Agriculture want to restrict the activities of any industry, any more than you want us to. We have tried to hold the restrictions to a minimum, but the cold facts of the famine emergency have forced us to take action which of course would not even be considered in normal times. * * *

How Long Will It Take?

Undoubtedly the chief questions in your minds today, as they have been in ours, are related to the probable length of the emergency--how long will it be necessary to continue the various orders and regulations? Let's take a quick look at the probable future demand and supply situation for wheat, and then consider the main points of the program which seem essential in this situation.

Production prospects in most countries are better this year than last. Most sections of Europe have been reporting satisfactory crop conditions, with early prospects for a wheat crop above 1945 production though still below prewar averages. In France, for instance, the wheat crop is reported to be promising enough so that imports next year will be substantially reduced from the large requirements of the current marketing year. In Spain the 1946 acreage is the largest in 10 years and the crop is reported to be doing well. Prospects are also favorable in Italy and in North Africa, particularly in Morocco and Algeria. In Australia the Government has approved a substantial increase in the wheat acreage to be harvested next December. In Argentina, soil conditions are reported as being favorable for seeding the crop that will be harvested at the close of this calendar year. And in Canada, farmers' intentions are to plant the largest wheat acreage since 1940.

These world production prospects are encouraging but they give us no cause at all for optimism regarding the world wheat supply. For one thing, we'll be going into the new crop year with greatly reduced carry-overs. For another, we can't expect the war-stricken countries to continue for another year on the near-starvation diets they are experiencing now. And finally, the production prospects I have mentioned are just prospects, and many things can happen to reduce those prospects between now and the actual harvest. As you know, during the month of April the prospects for our own wheat crop this year were reduced nearly a hundred million bushels.

One thing we can be sure of, however, and that is that the need for large overseas shipments of both wheat and flour will continue during the 1946-47 season. Only last week the Food and Agriculture Organization of the United States reported that "it is clear that a critical world food shortage will continue at least until crops are harvested in 1947, even assuming average or somewhat better than average weather for the rest of 1946 and 1947." The FAO estimated that in the deficit countries of Europe and the Far East 30 million metric tons of wheat must be imported during the 1946-47 consumption year to maintain even a minimum subsistence, whereas the amount available for export from the four chief exporting countries is not likely to be more than about 20 million metric tons—only two-thirds of the importing countries' minimum requirements.

FAO Meeting Important

In this connection we should all follow with interest the Special Meeting on Urgent Food Problems that the FAO is convening in Washington next Monday, May 20. At this meeting the international agencies concerned with food, such as the Combined Food Board, UNRRA, and the Emergency Economic Committee for Europe, together with representatives from the ministries of agriculture of a dozen principal exporting and importing countries, will consider what must be done to meet world food needs in the critical years ahead.

The recommendations that will come out of this meeting, like other recommendations of FAO in the future, are bound to be such as to warrant our careful consideration. We in the United States Department of Agriculture, in fact, regard FAO as the international planning agency for food and agriculture. We shall seek and use its advice. As Secretary Anderson said at Quebec last fall, when FAO was established, we propose to give it our wholehearted support. As an international agency, it can help us to take a world view and a long view, and thus assist us in avoiding the mistakes we made after World War I.

Our own wheat supply prospects make some things clear already, and we might as well begin to face the situation now. The May crop report reduced the April estimate of our winter wheat crop by some 88 million bushels. This means that instead of a new record high wheat harvest this year, we will probably have a smaller crop than last year's. Add to this one of the smallest carry-overs in our history, and you come up with a much smaller total supply.

Before considering in detail the best estimates we can make now for our 1946 wheat supply, let's see what the production effort has been. Farmers, cooperating fully with the Government, set their sights high again for 1946. They have been making an all-out effort to continue record levels of wartime wheat production. Goals were set high at the start, and then were raised later in the year as the urgency of foreign needs became more apparent. It is believed that the total seeded acreage, both winter and spring wheat, will run around 71 million acres this year, as compared with less than 69 million last year and a 1935-44 10-year average of a little more than 66 million.

Taking into consideration the May 10 crop report, however, it now looks as though the total 1946 crop may run about an even billion bushels, as compared with last year's total of 1,123,000,000. It must be recognized that estimates now are very tentative, subject to considerable change as production factors develop in the weeks ahead. For the purpose of this preliminary survey, however, we have taken a figure of 1 billion bushels for total 1946 wheat production.

In getting at probable total supply for the 1946-47 year, imports may be ignored, since they will probably be negligible. We have assumed a carry-over on July 1 of only 80 million bushels, plus any shipments actually made after July 1 in completing the January-June export program. This compares with a 281 million carry-over a year ago.

Adding these estimates, we have a prospective total supply for next year of 1,080,000,000 bushels--a reduction of more than 300,000,000 from the total supply of 1,406,000,000 for the 1945-46 year.

It is perfectly obvious that exports or domestic use--or both--will have to be reduced materially during the year ahead as compared with 1945-46. We won't like it, and the foreign claimants on our wheat supplies won't like it, but there simply is no other answer. Nothing at all would be gained by an effort to evade the issue now, and much would be lost. We want to face the facts squarely. Of course, there is always the chance that crop prospects might improve in the next few weeks, but we must make our plans today on the basis of the most probable situation.

Minimums for Domestic Use

Turning to the distribution of this estimated total supply of 1,080,000,000 bushels--subject of course to later revisions as more facts are known--we take up first our essential minimums for domestic use. We think 450,000,000 bushels for domestic food would certainly be about as low as we could go. This would compare with about 500,000,000 bushels used for food at home during the year just ending, and with 559,000,000 in 1944-45. Holding to such a total would of course call for continuing controls and self-denials on the domestic front.

We expect that the recently announced adjustment in livestock-feed price relationships, together with certain direct controls on the use of

wheat as feed, will result in sharp reductions in the use of wheat for livestock feed in the year ahead. We believe that every effort should be made to see that the feeding of wheat is cut to approximately 150 million bushels next year--or to about one-half the amount being fed this year, and compared with 289 million in 1944-45. Considering present livestock numbers, and the fact that most wheat is fed on the farms where it is produced, we recognize that this will be a difficult adjustment.

Seed allowance is set at 85 million, about the same as last year and a minimum figure in view of the continuing needs for wheat production. We are now estimating only 2 million bushels for industrial uses, as compared with 20 million this year and 82 million in 1944-45. Finally, we are allowing for carry-over on July 1, 1947, of about 140 million bushels. This is higher than the drastically low estimate of 80 million for this July, but far below the 281 million a year ago or any recent average. It is as low as we think it safe to plan at this time.

We are planning all these severe cuts at home, of course, in order to do everything we possibly can to help meet the continuing world food shortages. Even so, we find that the total we can estimate for all exports, including commercial shipments, during the year ahead runs to only 250 million bushels. I say "only" because, even though this will be one-fourth of our wheat crop, it will be below the estimated needs of foreign countries for United States wheat.

We can hope, of course, that improvements in our present production prospects will make it possible for us to export more--and to do better with supplies for domestic use. There are a number of things which we cannot yet know with certainty about the situation for next year. We are quite sure from recent reports that rather heavy shipments abroad will have to be continued during July and August. By September we shall know a lot more about the world situation, including information on how world crops are coming in. There is also the possibility, of course, that very adverse conditions might even cut our own present crop estimates, requiring downward adjustments in distribution plans.

No one likes the present situation, with its shortages and uncertainties, but we feel that it must be faced squarely in the light of the best information we have now so that in general our neighbors across the sea will know what they can count on, so that livestock and poultry feeders and the feed industry will know what lies ahead, and finally so that the milling and allied industries can know about what to expect during the coming year.

Continuing or Changed Controls

Now let's turn to the question of continuing or changed controls and regulations. As you all know, most of the controls now in effect were planned for the short-run emergency--the period before the new crop came in. We hoped, as you hoped, that it would not be necessary to renew them or keep them in effect. In the light of the situation we have just reviewed, however, it is perfectly obvious that it will not be possible to

"turn wheat loose" next year. Little as we like it, some program of control and regulation will apparently have to be continued.

Price phases of the Department's wheat program for 1946-47, as already mentioned, were announced on May 8. We regard this action as highly important for the whole wheat program: (1) it established the wheat ceiling price for the entire 1946-47 year, and (2) it is expected to bring about the required adjustments in livestock feeding so as to relieve the pressure on wheat for feed during the year.

Here is a general outline of other phases of the wheat program for 1946-47, based upon our present information and appraisal of the situation. As already explained, the picture could change considerably and we must of necessity keep a good deal of flexibility in program planning. Taking everything into consideration, however, our present plans include:

1. Foreign claimants will be advised that, on the basis of present prospects, not more than 250 million bushels of wheat will be available for all export from this country during the year ahead. Allocations will be made on this basis as soon as possible.

2. The 80 percent extraction provision in War Food Order 144 will be continued during the 1946-47 marketing year. This provision reduces the amount of wheat used for food by 8 to 10 percent. In view of the continuing world needs, and the drastic steps required everywhere, we cannot afford to give up this saving. England recently raised its extraction rate to 90 percent.

3. The amount of wheat used in the manufacture of flour for domestic use will be limited to the quantity required to produce 85 percent as much flour as was distributed for domestic use in the corresponding month of 1945. This action will be taken through an amendment to War Food Order 144, effective July 1, 1946.

4. War Food Order will also be amended to provide that at least one-half of all wheat delivered to an elevator by a purchaser must be offered for sale to the elevator, instead of all of it being held in storage for the producer. This amendment will also provide that one-half of all the wheat which is purchased from producers by country elevator operators, merchandisers or other commercial buyers must be set aside for sale to the Commodity Credit Corporation. This provision will remain in effect until the Government has control of enough wheat from the 1946 crop to cover export requirements of 250 million bushels.

5. The Office of Defense Transportation will be asked to issue a service order prohibiting the shipment of wheat out of the area comprising the States of Oklahoma, Texas, New Mexico, Arkansas, and Louisiana, except for export or by special permit. The objective of this order will be to conserve transportation. Without the order, early wheat from this area might be drawn off into other areas of the country only to have to be replaced later by shipments back from these other areas.

6. Further limitations will be placed on the use of wheat by feed manufacturers, through amendment to War Food Order 144, as soon as the general feed grain situation improves sufficiently.

7. The provisions of War Food Orders 66 and 141 prohibiting the use of wheat and wheat products in the manufacture of beer and alcohol will be continued.

8. Wheat inventory provisions will not be made applicable to 1946-crop wheat unless inequitable distribution makes such action necessary.

9. The voluntary conservation program, including reduction in the weight of bread loaves and rolls, will be continued.

Details of the different provisions of this program will be announced as they are worked out. It will, of course, be our objective to keep the restrictions to the minimum needed to accomplish the essential results. The points I have outlined, however, will give you a pretty clear idea of what now appears to be necessary.

Turning back briefly to the present, I want to say that we are not losing sight of pressing immediate problems in our consideration of the job ahead. Getting wheat to port in the next few weeks, to head off the starvation of millions in foreign countries, is a task to which we are all dedicated. Wheat is beginning to move from farms in volume now. Reports over this last week-end show that a good deal more wheat will be shipped in May than in April. June must be even better--much better--if we are to approximate the goal toward which we are all driving.

One of the most serious problems now is transportation--from local elevators to terminals, and from terminals on to shipside. We must find ways to keep the local elevators open at all costs, so that farmers can move wheat to market in the days immediately ahead. We are asking the full help of all transportation and industry groups in meeting this most pressing problem.

In closing, * * * as I have said before, we don't like restrictive orders any better than you do. As head of the Production and Marketing Administration, I want to promise you once more that we intend to get rid of them just as soon as it is at all possible to do so.

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A Commodity Credit Corporation loan program to support the price of gum naval stores has been announced by USDA. Loans will be made available through the American Turpentine Farmers Association Cooperative of Valdosta, Ga., to producer-members who comply with the 1946 naval stores conservation program.

Postwar Use of Market Quotations

When price controls disappear, will the butter and egg industries go back to their former practice of basing prices on wholesale quotations? If so, isn't it very significant for them that over a period of years terminal markets have been handling a declining fraction of total production? If quotations are to be used for making settlements between buyers and sellers, shouldn't reporting agencies have more time to cover the markets fully? How much understanding is there today, in all parts of these two industries, of the relation between market quotations and prices?

Before the war a prevalent practice in the marketing of butter and eggs was the use of market quotations as a basis of price settlement between buyers and sellers. Products were shipped to market with the understanding between shipper and receiver that the price would bear some previously agreed relation to a current market quotation. Year-round production and regular and frequent marketings made this a convenient method of settlement. It eliminated negotiations for each shipment and thus saved much time and expense.

But this method of trading meant that both shipper and receiver depended on someone else to establish the base that determined their particular dollars-and-cents prices. Frequently the quotation used applied to a market far removed from either the shipper or the receiver. Furthermore, when the products were sold in the market proper, buyers and sellers for the most part also waited for the base price to be established before they completed deals. If trading occurred before the current day's quotation was issued, the seller of a lot of butter or eggs very often did not know exactly what the product would bring, nor did the buyer know what it would cost, in dollars and cents until the base quotation was established.

Wholesale Trading Volume Has Decreased

When this practice began, supplies reaching the larger terminal markets where quotations were thus used moved largely on the open wholesale market. That is, they were not earmarked for sale to known ultimate outlets, a practice that became increasingly common in later years when marketing methods changed and more receipts by-passed the wholesale trading level. Producers' cooperative marketing associations were organized, and large retail distributors began making direct connections with shippers. Both these developments were the natural results of work by shippers and distributors toward more efficient and economical operations. But even though wholesale trading decreased in volume, wholesale quotations continued as the basis for settlement of much of the butter and eggs marketed.

Wholesale quotations have been criticized by some industry members who obviously did not understand certain implications of the use of base quotations. Rather frequently the claim has been made that the wholesale market was "under quoted"—a criticism that occurred apparently because some shippers received for their products prices that equaled or even exceeded published wholesale prices. Not taken into account were the possibilities that the goods in question may have moved through other than wholesale channels, and that there may have been certain contract provisions covering regularity of shipment, type of package, or other such matters, which did not apply to bulk surplus products moving on the open wholesale market. In marketing these special products, wholesale prices were often used as a base, but with premiums added.

One compensating advantage from the shipper's standpoint was that buying competition in the more important producing areas has been very keen, and that in order to obtain desired goods, buyers have outbid one another by modifying agreements with shippers, giving them added premiums if necessary. Ordinarily this could not be done profitably if the products bought were in turn sold on the open wholesale market. They usually had to be sold at a different trading level, except possibly in cases where it was possible to obtain a premium.

In making price comparisons, it is important to recognize the trading level at which a particular price applies. In the case of terminal market quotations, reported prices usually have been at the wholesale level, although this has not been universally true, since in some markets quotations have been receivers' buying prices (f. o. b.) whereas in others they have been the retailers' buying prices (jobbing level).

Effects of Price Control and Ceilings

During the war, price control and price ceilings have of course had much to do with prices. Maximum prices were established by the Office of Price Administration for most commodities, and the maximum margins at each step between producer and consumer were fixed by regulation. As supply situations tightened, prices frequently held at ceilings for extended periods, and the dealers' margins were those established by OPA. Even when prices went below ceilings, sellers tended to use these margins in making settlements.

Butter is an outstanding example of the extent to which prices were held to a level established by regulation. The usual seasonal butter price trends were not followed and, with the support buying price the same as the OPA ceiling, prices have stood unchanged from July 1, 1943, until the present (except for the automatic advance in November 1945, when the 5-cents-per-pound subsidy was discontinued).

What the practice will be after price control goes and we return to normal trading conditions is undetermined. But if wholesale quotations are again used as a basis for settlement between shippers and receivers, the industry had better realize that wholesale coverage is

gradually declining and that quotations should be used accordingly. It is improbable that the shipper will be satisfied to go back to negotiating each shipment. He still wants a method that will eliminate the detail of negotiating individual shipments, and will assure prompt settlements. Assuming that he will continue selling on the basis of a published market price, the argument for needing a base price as a convenience does not apply equally in the case of inter-market trading between dealers. Market transactions usually take place on an exchange, if there is one in the market, or they result from inter-dealer negotiations "on the street." To some extent, both types of transactions reflect independent judgment as to prevailing values. The buyer takes goods or not, depending on whether he thinks the price paid represents a good buy. But even so, in street trading the traders have tended to hold off until a "market quotation" has been issued, and their selling operations generally have tended to center around the price quoted.

So, more often than not, the buyers' judgment of price has been merely an opinion of relation to the quotation, rather than an appraisal in terms of dollars and cents regardless of the quotation. This practice has placed market reporters at a disadvantage, for when sellers tell a reporter that a selling price will be determined by a forthcoming quotation, or will bear some stated relation to it, this limits the amount of trading that can actually be taken into consideration in establishing the reported price. But when the seller sells at a price, he broadens the base the reporter can use.

Quotations Covering Full Day's Trading

One approach to this problem of using market quotations would be a general trade acceptance of a system of reporting prices whereby the pressure to use a current day's published price quotation as the basis for current trading would be removed. A step in this direction would be made if quotations for a given day were permitted to cover the full day's trading period. If this became the practice, quotations would not be available until after the day's trading was practically completed. Such a method would permit broader and more nearly complete coverage by reporting agencies and incidentally would do away with the criticism that published prices reflect only a few sales, bids, or offers on an exchange, or a few early street sales. It would bring more accurate information of the true market than can result from limited coverage, particularly when prices are changing currently. From the dealer's standpoint, it would mean buying and selling at a price in relation to the previous day's quotation and based on his own knowledge or opinion of current supply and demand. Returns to shippers could still be based on the published quotation, day of arrival, or as otherwise agreed.

This method was the one actually followed in the San Francisco market for a number of years before price control arrived. There the butter and egg quotations were not available until immediately after the closing of the afternoon exchange session. Meantime, the market reporter had full opportunity to cover the day's street trading, which

along with such exchange trading as might have occurred formed the basis for the price reported. The method gave as true a picture of actual market prices and trends as could possibly be given by any practicable procedure short of a complete audited check of all sales made by every dealer. Prices paid to shippers were based on the quotation representing the day the goods arrived, or on the variation from this that was agreed upon between shipper and receiver.

Market reporting agencies have no control over the uses made of the prices they report. For obvious reasons they do not wish to influence prices. But they may influence prices, if published quotations are used as the basis for making settlements between buyers and sellers. If quotations are thus to be used, reporting agencies can fairly ask the two industries:

1. To allow them enough time to cover the markets fully.
 2. To assume the responsibility for understanding what market quotations represent, and what their limitations are.
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COFFEE PURCHASES UNDER SUBSIDY PROGRAM

Approximately 3,647,000 bags of green coffee were reported purchased under the amended coffee subsidy program up to April 24, 1946. These purchases represent 52 percent of the additional 7,000,000 bags of coffee authorized for distribution under the established quota system by amendment 2 to Directive 87 of the Office of Economic Stabilization. This amendment became effective March 19, 1946.

The coffee subsidy plan, initiated by Directive 87 on November 19, 1945, provides for payment to qualified importers of 3 cents a pound of green coffee. The original program covering 6,000,000 bags of coffee was amended on March 19 to bring the total to 13,000,000 bags for distribution under the quota system. The March amendment also provided for an additional 500,000 bags to cover hardship cases filed by roasters.

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CANNED FISH ORDER

Canners of all species of salmon—except king, chinook or spring and steelhead, and blueback or sockeye packed in the continental United States—will be required to deliver to the Government 33 percent of their pack from April 1, 1946, through March 31, 1947. Canners of pilchards, Atlantic sea herring, Atlantic mackerel, and Pacific mackerel will be required to deliver 45 percent of their pack during the same period. The new percentages are contained in amendment 18 to WFO 44, which restricts domestic deliveries of canned fish.

Containers in 1946

We are short of containers for two main reasons. First, most types of the basic materials needed to make containers are short. Second, we need more and more containers for agricultural and nonagricultural products, at home and for export.

Here is a report on the basic materials used in container production:

Steel. The recent steel strike left us short several million tons of steel. That means less steel for tin cans, nails, and wire. After the strike was settled, several weeks were required to get steel plants back into production. Cannerys have been warned they may not get enough tinplate to can this season's fruits, vegetables, meats, and milk.

Cotton textiles. Cotton bags are short for such dry agricultural products as potatoes and other root vegetables, flour, sugar. We now receive as much burlap from India as before the war, and ship 90 percent of the flour, formerly packed in cotton bags, in burlap. Cotton for use in the low-cost clothing program competes with needs for packaging agricultural products. Cotton material used in bagging is used also in manufacturing rubber products and belting. However, since the Civilian Production Administration still has controls on textiles, agricultural products must compete with other products for cotton.

Lumber and veneer. Housing and other production that utilizes lumber compete with fresh fruits and vegetables and other agricultural products for lumber and veneer. Lumber production is down, and the supply is inadequate for essential needs.

Paper. Paper production is now far short of demand. Paper is needed for many types of bags, boxes, and other packaging.

Glass. Production is at an all-time high but even so it is short. Neither glass production nor supply is under controls.

Other essential products. Binder twine for the 1946 harvest is also short. We need more starch for adhesives in shipping container production and more casein for labels and glue in box manufacture.

In view of the tight situation, we must continue this year to reuse all the containers that can be reused. Only by making full use of both new and used containers can we move this season's crops to market.

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All quota restrictions on cinnamon have been removed. The action was taken in an amendment, effective May 1, deleting cassia (cinnamon) from WFO 19.2.

SECTION EXPORTS PROGRAM CONTINUED
THROUGH JUNE 30, 1947

The program to increase cotton exports by means of differential payments to exporters or the sale of Commodity Credit Corporation cotton for export below domestic prices will be continued through June 30, 1947, USDA has announced.

This program was begun in November 1944 in accordance with provisions of the Surplus Property Act of 1944. Registered export sales through April 13, 1946, totaled 1,884,935 bales. Most of this export cotton was bought from CCC at 4 cents a pound below domestic prices. On the remainder, bought in the open market, the exporters have received a CCC cash payment of 4 cents a pound.

The Department also announced that cash payments of the export differential hereafter will be made from funds available under section 32 of Public Law 320, 74th Congress, and not from the capital funds of CCC. The section provides for the use of a portion of the duties collected under the customs laws to encourage the exportation of agricultural commodities and products therefrom.

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AMENDMENT 7 TO WFO 9
APPLIED TO 1946 SOYBEAN CROP

USDA has announced application of amendment 7 to WFO 9 to the 1946 soybean crop. This, in effect, extended the regulation already existing to the forthcoming crop.

Under the amended order no soybean processor or seed dealer shall purchase or accept delivery of 1946-crop soybeans in any quantity which will cause his inventory to exceed his manufacturing, processing, or seed sales requirements for the period ending October 10, 1947.

A country shipper may not purchase or accept delivery of soybeans in any quantity "which will cause his inventory to exceed his delivery requirements under existing contracts with processors, soybean products manufacturers, seed dealers, and the Commodity Credit Corporation," plus either 2,000 bushels or the quantity of soybeans purchased during the 30 days immediately preceding.

No person other than a processor, soybean products manufacturer, seed dealer, or country shipper "shall purchase or accept delivery of soybeans in any quantity which will cause his inventory to exceed his delivery requirements under existing contracts with processors, soybean products manufacturers, seed dealers, and the Commodity Credit Corporation, plus his planting requirements, plus his requirements for sales for human consumption."

ABOUT MARKETING:

The following address and publications, issued recently, may be obtained upon request. To order, check on this page the publications desired, detach, and mail to the Production and Marketing Administration, U. S. Department of Agriculture, Washington 25, D. C.

Address:

Dairying Has Come a Long Way, by Clinton P. Anderson, Secretary of Agriculture, at Boston, Mass. April 11, 1946. 8 pp. (Mimeographed.)

Publications:

Color Measurement and Its Application to the Grading of Agricultural Products. MP 580. (United States Department of Agriculture) March 1946. 62 pp. (Printed.)

World Trends in Major Oil Crops. (Bureau of Agricultural Economics) March 1946. 62 pp. (Multilithed.)

Instructions on Processing for Community Frozen-Food Locker Plants. MP 588. (United States Department of Agriculture) March 1946. 52 pp. (Multilithed.)

Suggestions on Preparing the Wool Clip for Market. March 1946 3 pp. (Mimeographed.)

Farm Production, Disposition, and Income, Chickens and Eggs, 1944-45 (Bureau of Agricultural Economics) March 1946. 15 pp. (Mimeographed.)

U. S. Standards for Fresh Freestone Peaches for Freezing or Pulp-
ing. (Effective April 17, 1946) 3 pp. (Mimeographed.)

U. S. Standards for Fresh Freestone Peaches for Canning. (Effective April 17, 1946) 3 pp. (Mimeographed.)

Tentative United States Standards for Grades of Canned Dried Prunes. (Effective March 1, 1946) 8 pp. (Mimeographed.)

